

Context – Badge Identity Ltd

Gary Mekins and his wife Karen started Badge Identity as a partnership in 1994. Badge Identity Ltd was formed in 1996, in Hartlepool, where the local council is keen to help small businesses. There are four shareholders, each owning 25% of the shares.

The business manufactures personalised clothing with embroidered logos and names, for example school names and logos on sweatshirts and ties. Badge Identity Ltd is always looking to extend its product mix and frequently withdraws products, replacing them with newer ones in its mail order catalogue.

The main business objectives of Badge Identity Ltd are to:

- expand into new markets
- increase turnover
- improve profits

and its mission statement is ‘a quality item, at an acceptable price, on time’. Over the years it has tried to build up a good reputation with its customers. As the business has expanded, more embroidery machines have been purchased. The directors also try to keep the business competitive by purchasing state-of-the-art machinery, which is not always possible from retained profits.

The internal structure of Badge Identity Ltd is as follows:

Gary Mekins is the Managing Director. His wife Karen is the Finance Director whose job includes keeping and analysing the accounts of the business. The other two directors are Patrick Coyle, Sales and Marketing, and Beth Webster, Production and Quality Control.

The directors try to meet weekly but this is not always possible due to pressure of work in other areas.

Badge Identity Ltd has been in its current premises since the start of the business but the increased number of machines and its extended product range has meant storage space is limited. The directors have been thinking of short-term solutions as they consider what to do in the long-term.



Answer ALL questions

1. (a) For each of the questions (i)–(v), write the letter A, B, C or D to show the correct answer. Use the boxes provided.

(i) Which one of these is a fixed asset?

- A shop premises
- B raw materials
- C paper supplies
- D computer discs

Answer

(ii) The department mainly responsible for staff training is:

- A finance
- B personnel
- C production
- D marketing

Answer

(iii) An internal source of business finance is:

- A retained profits
- B mortgage
- C bank loan
- D hire purchase

Answer

(iv) Which one of the following is **NOT** part of the distribution channel?

- A retailer
- B wholesaler
- C consumer
- D shareholder

Answer

(v) Current assets and current liabilities are shown in:

- A a break even chart
- B a balance sheet
- C an organisation chart
- D a business letter

Answer

(5)



(b) (i) What is a quality circle?

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(1)

(ii) What are debtors?

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(1)

(iii) What is a market segment?

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(1)

(iv) Give an example of primary production.

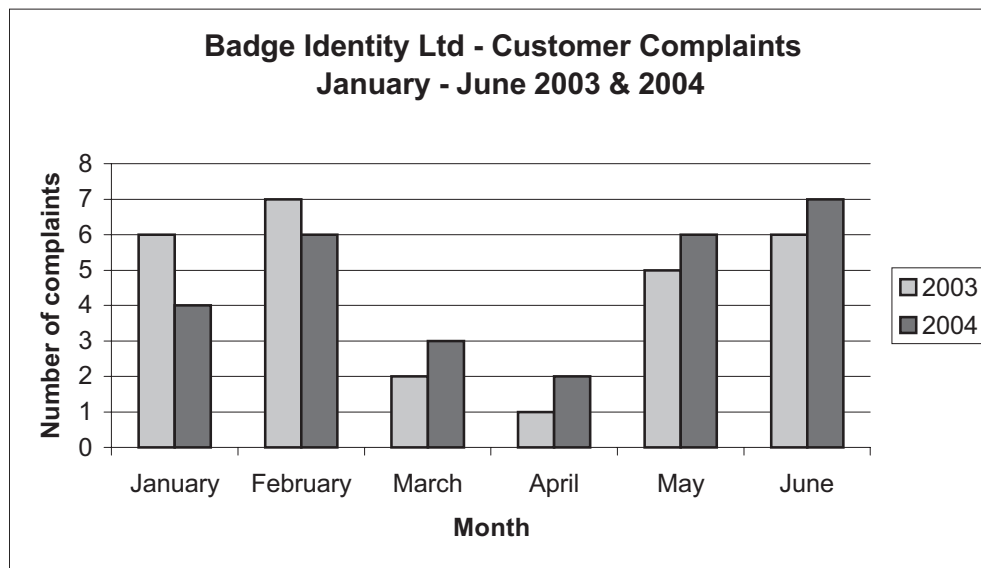
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(1)

(v) What are exports?

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(1)



Answer the questions using the graph below



(c) (i) In 2003 which month had the **most** complaints?

..... (1)

(ii) In 2004 which month had the **least** number of complaints?

..... (1)

(iii) Calculate the total number of complaints for the 6 months in 2004.

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..... (1)



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(d) Poor communication at Badge Identity Ltd has led to customer complaints.

(i) Explain **ONE other** problem which can occur because of poor communication.

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(ii) Staff at Badge Identity Ltd are having training in communication. Explain why this is a good decision.

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(4)

(Total 20 marks)

Q1

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2. Badge Identity Ltd uses market research to collect information about how many people buy its products. Patrick Coyle is responsible for carrying out this market research. He uses:

- primary data (field research)
- secondary data (desk research)

(a) (i) Give **ONE** example of primary data (field research) and **ONE** example of secondary data (desk research).

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(2)

(ii) Identify **TWO** pieces of information Patrick needs to know about customers and explain why Badge Identity Ltd needs this information.

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(6)



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After the information has been collected Patrick needs to present these results to the other directors. He does this using graphs and charts.

(iii) Suggest **TWO** reasons why Patrick uses graphs and charts for his presentation.

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(6)

Badge Identity Ltd advertises through its mail order catalogue, in the local press and in trade journals.

(b) Explain **TWO** reasons why Badge Identity Ltd advertises its products.

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(6)

(Total 20 marks)

Q2

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3. The three main methods of production are job, batch and flow. Batch production is used at Badge Identity Ltd.

(a) (i) What is meant by batch production?

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(ii) Explain why batch production is the best method for Badge Identity Ltd.

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In order to improve productivity at Badge Identity Ltd, Beth Webster has introduced Just-In-Time (JIT) production.

(b) (i) Describe how JIT production works.

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(ii) Explain **ONE** advantage and **ONE** disadvantage of JIT production.

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(6)

Badge Identity Ltd's main business objectives are to:

- expand into new markets
- increase turnover
- improve profits.

(c) Why is it important for Badge Identity Ltd to have objectives?

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(6)

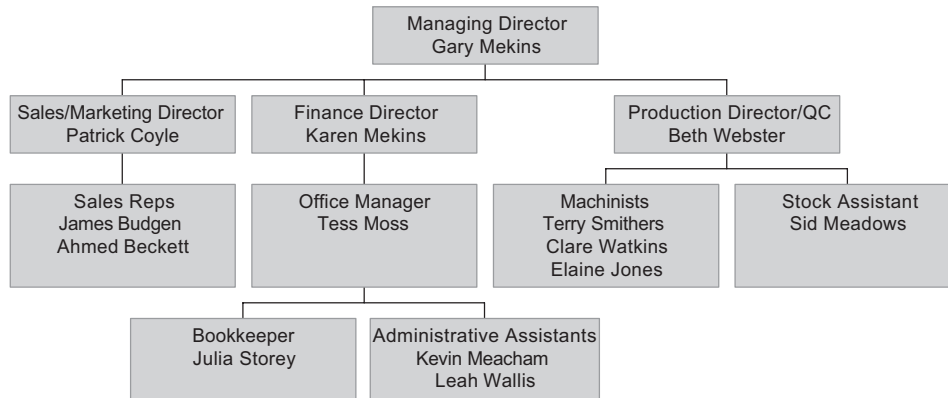
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Q3

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4.



The organisation chart for Badge Identity Ltd is shown above.

(a) (i) Apart from showing span of control, give **THREE** reasons Badge Identity Ltd have for using an organisation chart.

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(3)

(ii) Each director has a narrow span of control. Explain **ONE** advantage and **ONE** disadvantage to Badge Identity Ltd of having a narrow span of control.

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(b) (i) Beth Webster is the Production Director. Explain **TWO** responsibilities she has at Badge Identity Ltd.

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Sometimes decisions made by one department can affect another department, for example a deadline for a job was agreed with a customer but the Sales Director, Patrick Coyle, forgot to tell the Production Director, Beth Webster.

(ii) Why is it important for each department to know what the other departments are doing?

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(5)

(Total 20 marks)

Q4



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5. Badge Identity Ltd recently purchased a new machine for £48 000 using a bank loan. To arrange the loan, the Financial Director, Karen Mekins, met with the bank manager.

(a) Describe **TWO** factors the bank manager would have considered before granting the loan.

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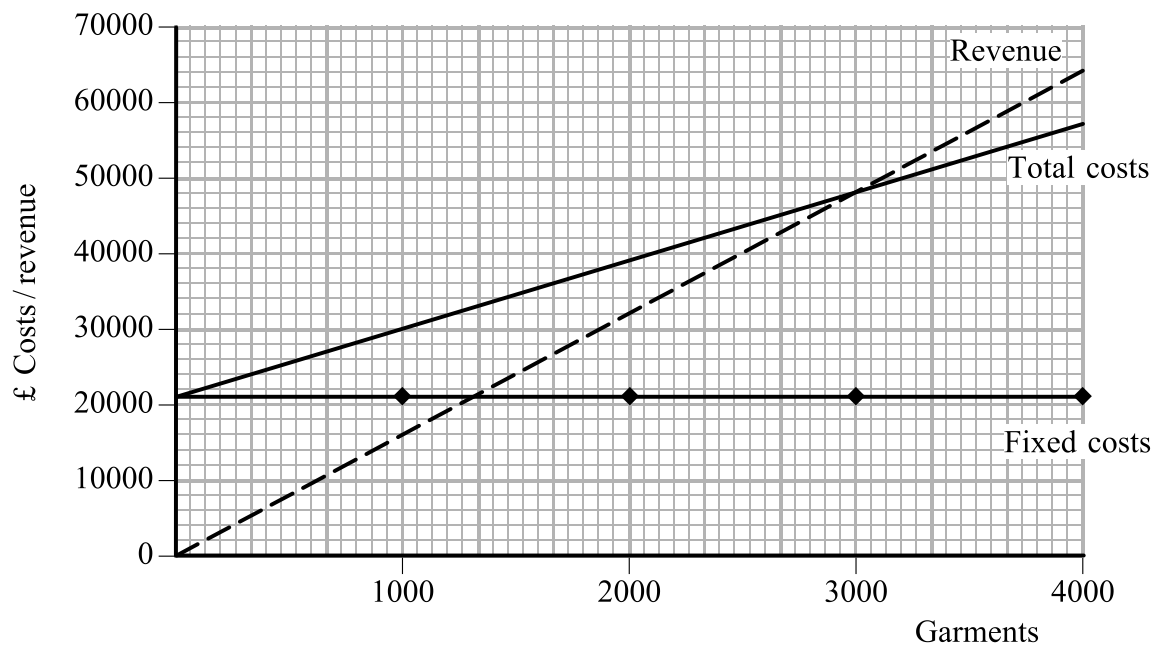
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(4)



Beth Webster, the Production Director, needs to know the minimum number of items that must be made and sold each month if Badge Identity Ltd is to cover its costs. She uses a break even chart to do this.

Badge Identity Ltd – Break even chart



(b) (i) On the above chart, label the break even point. (1)

(ii) How many units does Badge Identity Ltd need to sell in order to break even?
 (1)

(iii) What is the revenue at break even?
 (1)

(iv) What would be the profit or loss if 2 000 units are sold? State whether it is a profit or a loss.

 (2)



Break even analysis can show the results of 'what if' situations, for example what if the selling price was increased.

- (v) Explain the effects that employing two more machinists would have on Badge Identity Ltd's break even point.

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(3)

Karen Mekins, the Financial Director, uses ratios to analyse the accounts of Badge Identity Ltd. The current ratio for Badge Identity Ltd is

$$\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{\text{£200 000}}{\text{£100 000}} = 2 : 1$$

- (c) (i) Using the above ratio, evaluate the liquidity of Badge Identity Ltd.

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(ii) If the current ratio was 0.8:1, assess the implications this would have for Badge Identity Ltd.

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Q5

(Total 20 marks)

Quality of Written Communication: 5 marks

TOTAL FOR PAPER: 105 MARKS

END

